

**MINUTES OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM BOARD**

**HELD ON
Friday, April 21, 2000
9:00 A.M., M.S.T.**

The Arizona State Retirement System (ASRS) Board met in the 10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910. Mr. Jim Jenkins, Chairman, Arizona State Retirement System Board called the meeting to order at 9:00 A.M., M.S.T.

The meeting was teleconferenced to the ASRS Tucson office, 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona 85710-3776.

1. Call to Order; Roll Call

Present: Mr. Jim Jenkins, Chairman
Dr. Chuck Essigs, Vice Chairman (via teleconference)
Mr. Jim Bruner
Dr. Merlin DuVal
Mr. Alan Maguire (arrived at 9:12 a.m.)
Mr. Norman Miller
Mr. Karl Polen
Mr. Ray Rottas
Ms. Bonnie Gonzalez

A quorum was present for the purpose of conducting business.

2. Introduction of and Welcome to New Board Member, Bonnie Gonzalez, and Appointment to the Audit Review Board Committee

Mr. Jim Jenkins introduced Ms. Bonnie Gonzalez, Procurement Manager at NAU as the newest member of the ASRS Board. Mr. Jenkins also appointed Ms. Gonzalez to the Audit Review Board Committee.

Mr. Jenkins congratulated Mr. Ray Rottas for being reappointed to the Board as a representative for the public, as well as Mr. Alan Maguire who represents members at large.

3. Approval of Minutes of the March 17, Regular Meeting of the Arizona State Retirement System Board

Motion: Dr. Merlin DuVal moved to approve the minutes of the March 17, 2000, Regular Meeting of the Arizona State Retirement System Board.

Mr. Norman Miller seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

4. Board Approval of Consent Schedule

Motion: Mr. Norman Miller moved that the ASRS Board approve the Retirements, Refunds, and Death Benefits; System Transfers; and the Applications and Agreements between Employers.

Mr. Karl Polen seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

5. Presentation, Discussion and Appropriate Action with Respect to the Recommendation for a Contract Award, Building Investment Management RFP, RT0-001

Mr. Bob Wittsell gave a brief summary of the RFP process. He explained that the RFP decision was a product of the Board, staff, and an outside consulting group. The solicitation was issued on August 24, 1999, and a pre-proposal conference was held on September 24, 1999. Eight different companies offered proposals and the Evaluation Committee, appointed by the Board Chairman, met five times over the process. The Committee narrowed the selection down to three firms, received written clarification from two other firms, based on that information, the Committee as a whole, made it's selection of CB Richard Ellis.

Motion: Mr. Ray Rottas moved to approve the recommendation for a Contract Award, Building Investment Management RFP, RTO-001, to go to CB Richard Ellis.

Mr. Norman Miller seconded the motion.

By a vote of 8 in favor, 0 opposed, 0 abstentions, 1 excused, the motion was approved.

6. Presentation, Discussion and Appropriate Action with Respect to Tax Implications of Non-US Investments.

Mr. Terry Dennison, Principal, Mercer Consultants, gave a presentation regarding the Tax Implications of Non-US Investments. He stated that the ASRS is exempt for federal taxes from income received from its investment operation. This includes both capital gains and dividends and interest. Mr. Dennison explained that this exemption is granted by U.S Law and only really applies to U.S. taxes. When the ASRS invests overseas, it is not automatically exempt from foreign taxes.

ASRS' Effective Tax Rates

Country	Statutory Rate	ASRS Rate
Australia	30%	15%
Austria	25%	15%
Belgium	25%	0%
Canada	25%	0%
Denmark	25%	15%
Finland	29%	15%
France	25%	15%
Germany	26.38%	10%
Hong Kong	0%	0%
Ireland	24%	0%
Italy	27%	15%
Japan	20%	15%
Netherlands	25%	0%
New Zealand	30%	15%
Norway	25%	15%
Portugal	17.50%	17.50%
Spain	25%	15%
Sweden	30%	15%
Switzerland	35%	0%
United Kingdom	0%	0%

Mr. Alan Maguire arrived at 9:12 A.M.

7. Director's Report

Mr. Tom Finnerty, ASRS Legislative Liaison, gave his final presentation of the current legislation. Mr. Finnerty reported that the legislature adjourned and there were four bills passed that affect the ASRS:

- **HB 2079** ASRS; benefit formula; graded multiplier (now ASRS; actuarial computation; study committee)

By Representative Debra Brimhall

A bill which sets up an Actuarial Computation Study Committee that will examine utilizing an Entry Age Normal (EAN) Actuarial Evaluation Methodology vs. the Projected Unit Credit Methodology. It will review the valuation period. Currently the ASRS is moving towards a 30-year rolling valuation period, however there is some interest in dropping it to a 20-year period.

- **Chapter 66, HB 2238** ASRS; benefit increases

By Representative Mike Gardner

Removes the 55-year old age restriction for persons waiting for the Permanent Benefit Increase (PBI). It also allows people who are receiving benefits as of July 31, of the previous year to receive the PBI.

- **Chapter 315, SB 1384** ASRS: Burke litigation settlement

By Senator Edward Cirillo

This included the technical changes needed to conform to the Internal Revenue Service approval of the Burke litigation.

- **Chapter 132, SB 1463** retired teachers; return to work

By Senator Edward Cirillo

Allows certificated retired teachers who have been retired for a minimum of 12 months to return to work without suspension of their retirement benefits. However, they will not accrue any additional credit with the ASRS, will not be eligible for Long Term Disability if they should get injured on the job, nor will they make contributions to the ASRS. This is a pilot program that will be reviewed after a three-year period.

Dr. Chuck Essigs commended Mr. Finnerty and the External Operations staff for the excellent job they did working with the legislative staff.

Mr. Ray Rottas requested an executive synopsis of each one of the bills that passed.

8. Board Requests for Agenda Items.

There were two Board requests for agenda items:

- (1) Mr. Jim Jenkins requested that the election of Board Officers be placed on the May agenda.
- (2) Mr. Karl Polen requested that the Board receive an update on the Norwest Bank lease.

9. Call to the Public.

There were no requests to speak from the Phoenix or Tucson public.

As a continuance from Agenda Item Number 8, the Director's Report, the Board voted to go into Executive Session to receive Legal counsel from Mr. Fred Stork, Assistant Attorney General.

Motion: Mr. Ray Rottas moved that the Board convene to Executive Session to discuss the litigation of Arizona Game and Fish vs. the Arizona State Retirement System.

Dr. Merlin DuVal seconded the motion.

By a vote of 9 in favor, 0 opposed, 0 abstentions, 0 excused, the motion was approved.

The ASRS Board convened to Executive Session at 9:41 A.M.

The Board reconvened to Regular Session at 10:08 A.M.

10. The next regular ASRS Board meeting is scheduled for Friday, May 19, 2000, at 9:00 A.M. in the 10th Floor Board Room of the ASRS office at 3300 North Central Avenue, Phoenix, Arizona 85067-3910.

11. Adjournment of the ASRS Board.

Mr. James Jenkins, Chairman, adjourned the April 21, 2000, regular meeting of the ASRS Board at 10:09 A.M.

Respectfully submitted,

Stephanie Marries, Secretary

Date

LeRoy Gilbertson, Director

Date